

## Message Text

LIMITED OFFICIAL USE

PAGE 01 KABUL 05495 081357Z  
ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 /019 W  
-----032443 081400Z /53  
R 081030Z AUG 77  
FM AMEMBASSY KABUL  
TO SECSTATE WASHDC 3897  
INFO AMEMBASSY TEHRAN

LIMITED OFFICIAL USE KABUL 5495

STADIS//////////

FOR NEA/PAB

E. O. 11652: NA  
TAGS: BENC, AF, IR  
SUBJECT: KANDAHAR CEMENT PLANT

REF: (A) STATE 184700 (NOTAL) (B) KABUL 5123

1. WE CONTINUE TO FEEL HERE THAT EX-IM APPEARS TO BE OPERATING UNDER SOME MISAPPREHENSIONS, OR WITH FAULTY DATA, CONCERNING THE KANDAHAR CEMENT PLANT.

2. FIRST, IN PARA TWO REFTTEL A, IT IS NOTED THAT EX-IM FEELS PLANT IS "TOO BIG TO CONSIDER AND NOT CREDIT WORTHY IN A WEAK COUNTRY WITHOUT ADEQUATE SECURITY.". WE WOULD LIKE TO POINT OUT THAT AID FINANCED A ROUGHLY \$50 MILLION PROJECT HERE (KAJAKAI POWER HOUSE AND TRANSMISSION LINE) WITHOUT ANY GUARANTOR OTHER THAN THE GOVERNMENT OF AFGHANISTAN (GOA). MOREOVER, IN REFTTEL B, WE POINTED OUT THE FAVORABLE FOREIGN EXCHANGE POSITION OF AFGHANISTAN. WE ASSUMED, AND HENCE DID NOT POINT OUT, THAT EX-IM WAS ALSO AWARE THAT THE GOA DOES NOT RPT NOT HAVE A HEAVY EXTERNAL DEBT SERVICE BURDEN.

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3. IN PARA THREE, THERE IS AGAIN A PUZZLING REFERENCE TO "REASONABLE ASSURANCES OF REPAYMENT.". AS WE OBSERVED IN REFTTEL B, AS FAR AS WE ARE AWARE, AFGHANISTAN'S REPAYMENT RECORD FOR EX-IM -- AND OTHER -- LOANS IS A GOOD ONE. THE CONTENTION THAT CEMENT PLANT WOULD BE DIRECTED AT A LOCAL MARKET, DOES NOT TOTALLY BEAR UP TO ANALYTICAL SCRUTINY. THE AFGHAN SEVEN-YEAR PLAN ENVISAGES AN INCREASE IN PRODUCTION OF CEMENT FROM 168

THOUSAND TONS IN 1354 (1975/76) TO 858 THOUSAND TONS IN 1361 (1982/83). EXPORTS DURING THIS SEVEN-YEAR PERIOD ARE EXPECTED TO RISE FROM 30 THOUSAND TONS (OR 17.9 PERCENT OF TOTAL PRODUCTION) TO 383 THOUSAND TONS (OR 44.6 PERCENT OF TOTAL PRODUCTION). SINCE THE KANDAHAR PLANT, AT 480 THOUSAND TONS PER YEAR CAPACITY, WOULD REPRESENT 55.9 PERCENT OF PROJECTED PRODUCTION IN 1361, IT IS REASONABLE TO ASSUME THAT AT LEAST 25 PERCENT OF ITS OUTPUT WOULD BE EXPORTED. IN ANY EVENT, WITH ITS INCREASED CAPACITY, THE GOA FORESEES CEMENT AS A SIGNIFICANT NEW EXPORT BY THE END OF THE SEVEN-YEAR PLAN.

4. LASTLY, FULLER COMPANY HAS TOLD US THAT THE CEMENT PLANT PROJECT WOULD GENERATE UP TO 2,000 JOBS IN THE UNITED STATES. IF THIS IS TRUE, AND WE HAVE NO REASON TO BELIEVE THAT FULLER FABRICATES ANYTHING EXCEPT CEMENT PLANT EQUIPMENT, SURELY THIS PROJECT DESERVES THE MOST SERIOUS EX-IM CONSIDERATION.

DECONTROL 12/31/77  
ELIOT

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NNN

## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
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**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
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**Office:** ACTION NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** STADIS  
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**Reference:** 77 STATE 184700, 77 KABUL 5123  
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**Review Markings:**  
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